FEBRUARY 28, 2013

SUBJECT:

RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JULY 1, 2013 THROUGH DECEMBER 31, 2013, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177

INITIATED BY:

SUCCESSOR AGENCY

(David Wilson, Director of Finance)

(John Leonard, Project Development Administrator)

(Beth Rosen, Information Technology Management Analyst)

STATEMENT ON THE SUBJECT:

The Oversight Board will consider approval of the Recognized Obligation Payment Schedule and Successor Agency Administrative Budget for the period from July 1, 2013 through December 31, 2013.

RECOMMENDATION:

Adopt Resolution No. ______ "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JULY 1, 2013 THROUGH DECEMBER 31, 2013, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177"

BACKGROUND ANALYSIS:

On February 1, 2012, pursuant to Assembly Bill x1 26 ("AB x1 26") all redevelopment agencies across the State were dissolved and successor agencies were established to wind-down their operations and obligations. Pursuant to Health and Safety Code Section ("H&SC") 34177(m), successor agencies are required to continue to make payments due for enforceable obligations of the former redevelopment agencies. A Recognized Obligation Payment Schedule ("ROPS") must be prepared by the Successor Agency setting forth the minimum payments and due dates of payments required by enforceable obligations for each six-month fiscal period and presented to the Oversight Board of the Successor Agency ("Oversight Board") for approval.

The ROPS for the period from July 1, 2013 through December 31, 2013 ("ROPS No. 4" or "ROPS 13-14 A") must be approved by the Successor Agency's Oversight Board and transmitted to the County Auditor-Controller ("Auditor-Controller"), State Department of Finance ("DOF"), and State Controller, no later than March 1, 2013. If the Successor Agency and Oversight Board fail to meet the March 1 deadline, the City of West Hollywood may be liable for substantial penalties, including a \$10,000 per day penalty for each day past the deadline.

The Successor Agency was required to submit a copy of the draft ROPS to the County Administrative Officer, Auditor-Controller, and DOF at the same time that it was submitted to the Oversight Board for approval; this requirement was met. The Auditor-Controller is authorized to object to any item on the ROPS or the proposed funding source prior to or after Oversight Board consideration. If the Oversight Board disagrees with the Auditor-Controller, it may refer the matter to DOF for final determination.

Once the ROPS is approved by the Oversight Board, DOF will have 45 days to review and approve the ROPS, or object to any of the enforceable obligations. If the Successor Agency disputes DOF's determination, it can request to meet and confer with DOF within 5 days of their determination. DOF will make the final determination regarding the dispute and must notify the Successor Agency and Auditor-Controller of its determination 15 days before the date of property tax distribution by the Auditor-Controller.

H&SC Section 34177(j) also requires that each successor agency prepare an administrative budget for each six month period and submit that administrative budget to their oversight board for approval. The successor agency administrative budget shall include estimated amounts for successor agency administrative costs, proposed sources of payments, and any proposals for arrangements for administrative services provided by a city, county, or other entity. Pursuant to H&SC Section 34171(b) the administrative cost allowance provided to each successor agency, for each fiscal-year, can be up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund, for the successor agency, or two hundred and fifty thousand dollars (\$250,000), whichever is greater, unless the Oversight Board reduces the amount.

ROPS No. 4 - (July 1, 2013 through December 31, 2013)

ROPS No. 4 (Attachment 1) includes debt service payments for the former redevelopment agency's 2003 and 2011 tax allocation bonds, as well as payments for bond service fees and audit services.

The ROPS (ROPS No. 3) for the previous time period (January 1, 2013 through June 30, 2013) was submitted to DOF on August 31, 2012. DOF subsequently objected to six enforceable obligations on ROPS No. 3. These enforceable obligations included a permanent financing loan in the amount of \$3.5 million for the Courtyard at La Brea affordable housing project, \$27 million in funding for the

Plummer Park project, \$1.8 million in funding for disabled access improvements to West Hollywood Community Housing Corporation buildings, and funding for employee oversight costs for the Janet L. Witkin Center affordable housing project, Courtyard at La Brea affordable housing project, and Plummer Park project. All of the enforceable obligations denied by DOF would have been funded with proceeds from the former redevelopment agency's 2011 housing and non-housing bonds. These enforceable obligations were not denied by DOF on ROPS No. 1 and No. 2.

Payments for the six enforceable obligations that were denied by DOF on ROPS No. 3 have not been listed on ROPS No. 4. These enforceable obligations are shown on ROPS No. 4 because DOF requires that previously denied items be shown on the ROPS, however, no payments can be listed. The Successor Agency continues to disagree with DOF's denial of the enforceable obligations. Therefore, the submittal of ROPS No. 4 is made under protest and is not intended, nor has the effect, of waiving the City's and Successor Agency's right to insist that the enforceable obligations denied by DOF are valid and should be included on the ROPS.

Enforceable Obligation Detail

2003 Tax Allocation Bond Debt Service (Non-Housing Principal) – Non-housing portion of principal repayment; due on September 1 of each year.

Payments Due:

\$180,882

Payment Source:

Redevelopment Property Tax Trust Fund

("RPTTF")

2003 Tax Allocation Bond Debt Service (Non-Housing Interest) – Non-housing portion of interest payment; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due:

\$183,420

Payment Source:

RPTTF

3) <u>2003 Tax Allocation Non-Housing Bond Fees</u> – Bond fee payment for non-housing portion; due on September 1 of each year.

Payments Due:

\$1,622

Payment Source:

RPTTF

4) <u>2003 Tax Allocation Bond Debt Service (Housing Principal)</u> – Housing portion of principal repayment; due on September 1 of each year.

Payments Due:

\$79,118

Payment Source:

RPTTF

5) 2003 Tax Allocation Bond Debt Service (Housing Interest) - Housing portion of interest payment; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due:

\$80,228

Payment Source:

RPTTF

2003 Tax Allocation Housing Bond Fees - Bond fee payment for 6) housing portion; due on September 1 of each year.

Payments Due:

\$710

Payment Source:

RPTTF

2011 Tax Allocation Non-Housing Bonds Series A Debt Service 7) (Principal) - Principal repayment for non-housing bonds; due on September 1 of each year.

Payments Due:

\$265,000

Payment Source:

RPTTF

2011 Tax Allocation Non-Housing Bonds Series A Debt Service 8) (Interest) - Interest payment for non-housing bonds; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due:

\$1,038,250

Payment Source: RPTTF

9) 2011 Tax Allocation Non-Housing Bonds Series A Bond Fees - Bond fee payment for non-housing bonds; due on March 1 of each year.

Payments Due:

None

Payment Source:

RPTTF

10) 2011 Tax Allocation Housing Bonds Series B Debt Service (Principal) -Principal repayment for housing bonds; due on September 1 of each year.

Payments Due:

\$45,000

Payment Source:

RPTTF

11) 2011 Tax Allocation Housing Bonds Series B Debt Service (Interest) -Interest payment for housing bonds; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due:

\$412,756

Payment Source:

RPTTF

12) 2011 Tax Allocation Housing Bonds Series B Bond Fees - Bond fee payment for housing bonds; due on March 1 of each year.

Payments:

None

Payment Source: RPTTF

13) City Advancement and Reimbursement Agreement - This enforceable obligation was paid off during the period January 1, 2012 through June 30, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period.

Payments:

None

Payment Source:

n/a

14) ALA – Janet Witkin Center Project (Affordable Housing Loan) – This enforceable obligation was paid off during the period July 1, 2012 through December 31, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period.

Payments:

Payment Source:

n/a

 ALA – Janet Witkin Center Project (Oversight [Employee] Costs) – This obligation was denied by DOF on ROPS 3 (it was approved on ROPS 1 and 2). The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 4 form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter dollar amounts for the items.

Payments:

None

Payment Source: 2011 Series B Housing Bond proceeds

16) La Brea Courtyard Project (Pre-Development Loan) - This enforceable obligation was paid off during the period January 1, 2012 through June 30, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period.

Payments:

None

Payment Source:

n/a

17) La Brea Courtyard Project (Permanent Financing Loan) – This obligation was denied by DOF on ROPS 3 (it was approved on ROPS 1 and 2). The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 4 form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter dollar amounts for the items.

Payments:

None

Payment Source: 2011 Series B Housing Bond proceeds

18) La Brea Courtyard Project (Oversight [Employee] Costs) - This obligation was denied by DOF on ROPS 3 (it was approved on ROPS 1 and 2). The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 4 form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter dollar amounts for the items.

Payments:

None

Payment Source:

2011 Series B Housing Bond proceeds

19) West Hollywood Community Housing Corporation - Disabled Access Improvements and Rehabilitation of Low and Moderate Income Affordable Housing Projects – This obligation was denied by DOF on ROPS 3 (it was approved on ROPS 1 and 2). The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 4 form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter dollar amounts for the items.

Payments:

None

Payment Source: 2011 Series B Housing Bond proceeds

20) Phase 1 – Plummer Park Master Plan (Construction Costs – Hard and Soft) - This obligation was denied by DOF on ROPS 3 (it was approved on ROPS 1 and 2). The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 4 form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter dollar amounts for the items.

Payments:

None

Payment Source:

2011 Series A Non-Housing Bond proceeds

21) Phase 1 - Plummer Park Master Plan (Oversight [Employee] Costs) -This obligation was denied by DOF on ROPS 3 (it was approved on ROPS 1 and 2). The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 4 form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter dollar amounts for the items.

Payments:

None

Payment Source: 2011 Series A Non-Housing Bond proceeds

22) FY11-12 (July 2011 - Jan 2012) Pass-Through Payments - This enforceable obligation was paid off during the period January 1, 2012 through June 30, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period. All future pass-through payments will be made by the Auditor-Controller.

Payments:

None

Payment Source:

n/a

23) Audit Services Required by AB x1 26, as Amended by AB 1484 – Auditing and accounting services to complete annual audit and due diligence reviews, as required by AB x1 26, as amended by AB 1484.

Payments:

\$7,638

Payment Source:

RPTTF

24) Writ of Mandate in Los Angeles Unified School District v. County of Los Angeles - On June 15, 2012, a writ of mandate was issued in Los Angeles Unified School District v. County of Los Angeles, which imposes additional obligations on Los Angeles County and successor agencies within the County regarding pass-through payment calculations. First, the Auditor-Controller must recalculate pass-through payments for each fiscal year from 2003-04 through January 31, 2012, consistent with the Court's order, and notify each successor agency of the correct amount. Successor agencies must then calculate the amount of statutory passthrough payments due to LAUSD pursuant to the writ of mandate, including 7% interest on the amount due. The amount owed by the Successor Agency must be listed on a subsequent ROPS. At this time the Auditor-Controller has not provided the Successor Agency with the recalculated pass-through payment amounts pursuant to the writ of mandate. Once the Successor Agency receives the recalculated passthrough payment amounts, Successor Agency staff will calculate the amount owed to LAUSD and place it on the appropriate ROPS.

Payments:

TBD

Payment Source:

RPTTF

25) <u>Successor Agency Administrative Costs/Budget</u> – Various administrative costs for continued operation of the Successor Agency, for the period July 1, 2013 through December 31, 2013. See Attachment 2.

Payments:

\$125,000

Payment Source:

Administrative Allowance

Administrative Budget No. 4 – (July 1, 2013 through December 31, 2013)

The Successor Agency has prepared a proposed Administrative Budget for the period from July 1, 2013 through December 31, 2013 ("Administrative Budget No. 4"), which is included as Attachment 2. Administrative Budget No. 4 includes estimates of administrative costs and sources of payment, as required by AB x1 26. Administrative Budget No. 4 is based on a \$250,000 cost allowance for the entire fiscal year (2013-14). Staff determined that the "3 percent" calculation, as detailed previously, would yield an administrative cost allowance of \$120,019 for

the entire 2013-14 fiscal year, substantially less than the fixed amount of \$250,000.

For Administrative Budget No. 4, the Successor Agency estimates administrative costs in the amount of \$135,288. The budget includes Successor Agency staffing costs, overhead costs, as well as other contract and legal services. Administrative Budget No. 4 costs will be paid for with one-half of the Successor Agency \$250,000 administrative cost allowance for the fiscal year 2013-14. Upon approval of Administrative Budget No. 4 the Successor Agency will request \$125,000 in administrative cost allowance funds from the Auditor-Controller. The requested amount of \$125,000 is also listed on ROPS No. 4 (see item 25). Pursuant to AB x1 26, the Successor Agency may use other assets and revenues to pay for any administrative costs in excess of the administrative cost allowance.

FISCAL IMPACT:

\$2,419,624 in RPTTF monies (provided by the Auditor-Controller) would be allocated to meet the obligations detailed on ROPS No. 4 and Administrative Budget No. 4, as detailed in the following table.

Funding Source	Amount	ROPS Line Items Paid
Redevelopment Property Tax Trust Fund ("RPTTF")	\$2,294,624	1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 23, 24
Administrative Allowance	\$125,000	25
Total	\$2,419,624	

ATTACHMENTS:

Attachment 1:

Recognized Obligation Payment Schedule for the period

from July 1, 2013 through December 31, 2013.

Attachment 2:

Successor Agency Administrative Budget for the period from

July 1, 2013 through December 31, 2013.

Attachment 3:

Resolution